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No. 87-1346

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

BONITO BOATS, INC.,
Petitioner,

v.

THUNDER CRAFT BOATS, INC.,
Respondent.

On Writ of Certiorari to the Supreme Court of Florida

BRIEF OF BOSTON WHALER, INC. AS AMICUS CURIAE

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QUESTION PRESENTED

Whether a state unfair competition statute that generally permits the copying of the designs of boat hulls and parts, but prohibits one method of copying that has the effect of allowing a company to expropriate its competitors' tooling, patterns and molds, is "too great an encroachment on the federal patent system to be tolerated."

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INTEREST OF *AMICUS CURIAE*

Boston Whaler, Inc., with the consent of the parties, submits this brief *amicus curiae* in support of petitioner. Boston Whaler has a substantial and immediate interest in this case, which presents an important question concerning the constitutionality of a Florida statute that prohibits a competitor from copying a boat maker's hulls and vessel parts using "direct molding" techniques. Boston Whaler is a leading manufacturer of fiberglass boats, and has had its boats improperly copied by competitors using direct molding methods. The Florida statute in

question here, and similar statutes enacted by eleven other States, is among the principal legal protections available to protect Whaler's substantial investment in the tooling and other equipment it uses to manufacture its boats.

STATEMENT

Boston Whaler ("Whaler") is a manufacturer of high-quality fiberglass boats headquartered in Rockland, Massachusetts. Whaler began making fiberglass boats in 1958; today over 175,000 Whaler boats are afloat. Whaler manufactures eleven boat designs, ranging in length from nine to 31 feet. Whaler produces about 7,000 boats annually.

In recent years, Whaler's competitors have used direct molding techniques—known as "splashing" because molding material is "splashed" around a boat's hull to make a new mold—to copy Whaler's 13′, 15′, 17′, 18′ and 20′ designs. As explained below, this "splashing" is much more than the simple copying of the conceptual design of Whaler's boats; because splashing uses Whaler's boats as "plugs" for the creation of molds, it constitutes a taking of Whaler's costly tooling—that is, Whaler's plugs, forms, patterns and molds—as well. To protect this capital investment, and to prevent other boat builders from using Whaler's own tooling to compete against it, Whaler has brought or threatened nearly a dozen legal actions in recent years. Because of gaps in federal protections against unfair competition, Whaler has relied heavily upon state anti-splashing statutes such as Fla. Stat. § 559.94 (1985).

A. The Design And Manufacture Of Fiberglass Boats

Fiberglass boats are cheaper to make than wooden, steel or aluminum boats because there is no need to individually craft each hull. Instead, the boat builder constructs a single exemplar of the hull, known as the "plug," from which production hulls are molded. However, the construction of this plug, and the molds, patterns, forms and other equipment used in forming fiberglass hulls, is a costly and time-consuming process that represents a large capital investment by the boat builder.

The process of creating a new boat design begins with market research, in which the builder determines the size, speed and performance the public demands. Once those parameters are set, naval architects prepare "lines" of the new boat, showing the boat's dimensions, contours and details. The lines include both longitudinal drawings of the new boat and a series of cross-section drawings of the boat at various stations along its length. When completed, the lines are converted to full-scale working drawings in a painstaking process known as "lofting."

After completion of full-scale drawings, a builder constructs the tooling necessary to manufacture the boat. Much of the work centers on the construction of the "plug" of the hull. First, craftsmen lay a wooden foundation for the plug. Then, following the working drawings, they build a series of wooden frames corresponding to the boat's cross-sectional dimensions along its length and mount those on the foundation. When the frames are in place, the builders attach a series of wooden strips across the frames, bending each to the shape of the hull. Plywood sheets are affixed on top of the strips to create the final contours of the hull. The builders fill body compound into the joints of the plug, then sand and finish it.[1]

The boat builder next creates a prototype of the boat. Molding material is packed around the completed hull

[1] The interiors of Whaler boats also are made of a single piece of fiberglass, known as the "shell," that requires the construction of a separate plug. Like the hull plug, the plug of the interior shell is made by crafting frames of the interior's cross-sections, mounting the frames on a foundation, covering the frames with wooden strips and plywood, filling the plug's joints and sanding.

and shell plugs to create female molds of the hull and shell. Fiberglass then is laid in the molds; when the fiberglass is cured, the hull and shell are removed from their molds, the prototype is assembled, and the voids between the shell and hull are filled with foam. The prototype is tested to determine its speed, performance and other characteristics. If the prototype does not meet design specifications, the design is modified. This requires corresponding modification to the lines, to the full-size working drawings and to the hull and interior plugs.

When the new boat is ready for production, the builder usually molds fiberglass duplicates of the wooden plug to eliminate the danger of variances from boat to boat because of warpage of the wood in the plugs. These fiberglass plugs, in turn, are used to create the female molds the builder uses in manufacturing the new boat.

The process of designing and creating a new boat is time-consuming and expensive. Whaler's recently-introduced 31′ boat took two years to develop; building the tooling alone for the boat took 17,000 hours of labor at a cost of $530,000. The tooling for Whaler's 18′ boat, which was introduced in 1980, cost $110,000 (in 1980 dollars) and took 5,200 labor hours to construct.

B. Copying Boats By Direct Molding

Competitors can avoid the trouble and expense of creating their own tooling by buying a fiberglass boat, taking it apart, and using its hull and shell as plugs. By splashing the hull, these competitors do more than copy the boat's conceptual design. They also expropriate the builder's tooling and save themselves the substantial capital investment required to construct plugs.

In recent years, five of Whaler's most popular designs (13′, 15′, 17′, 18′ and 20′) have been splashed. Two of these designs, the 13′ and 15′ boats, have between them accounted for over half of Whaler's annual unit sales.

This splashing has required Whaler to bring or threaten litigation against nearly a dozen competitors to protect its investment in its tooling and to prevent public confussion as to the source of the duplicate boats.

C. The Florida Anti-Splashing Statute And The Decision Below

Florida has adopted an anti-splashing statute, Fla. Stat. § 559.94 (1985), to protect boat builders' proprietary tooling and to prevent unfair competition. The Florida statute does not abridge a competitor's general right to copy the conceptual design of a boat; it leaves the competitor free to copy a design by customary techniques, such as preparing drawings from photographs of a boat or from measurements taken from the boat. However, the statute prohibits one form of copying, namely "direct molding" or splashing. Fla. Stat. § 559.94(2).

The Florida Supreme Court found section 559.94 unconstitutional on the ground it was preempted by federal patent laws. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 515 So.2d 220 (1987). The Florida Court read this Court's decisions in *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), as prohibiting any limitation upon a competitor's ability to copy the product of another. "Pursuant to the *Sears/Compco* doctrine, when an article is introduced into the public domain, only a patent can eliminate the inherent risk of competition and then but for a limited time." 515 So.2d at 222. The court below reasoned that *Sears* and *Compco*, by overturning decisions under an Illinois statute that barred all forms of copying, had held that a State may not regulate *any* form of copying. "The United States Supreme Court has never ruled that the states may selectively enact barriers against some methods of copying unpatented articles." *Ibid.*

SUMMARY OF ARGUMENT

1. The Florida anti-splashing statute does not constitute "too great an encroachment on the federal patent system to be tolerated." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964). The statute permits respondent to copy non-patented boat designs in any number of ways. The statute does not extend the life of a patent beyond its expiration date, give patent-like protection to unpatentable designs or otherwise conflict with federal patent laws.

2. The federal patent laws do not purport to regulate unfair competitive practices. That field is left to the States. Florida's prohibition of splashing is a reasonable exercise of its power to prevent unfair competition. Moreover, there is no requirement that States permit competitors to engage in unfair practices in the guise of copying unpatented designs.

ARGUMENT

THE FLORIDA ANTI-SPLASHING STATUTE DOES NOT IMPERMISSIBLY ENCROACH UPON THE FEDERAL PATENT SYSTEM

The Florida anti-splashing statute must be upheld unless the Court determines that it constitutes "'too great an encroachment on the federal patent system to be tolerated.'" *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 482 (1974), *quoting Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964). It is clear, however, that the statute does not conflict with the federal patent laws or the policies underlying them.

This Court's precedents amply delineate the scope of federal patent laws and policies. In *Sears*, *supra*, and *Compco Corp. v. Day-Brite Lighting Inc.*, 376 U.S. 234 (1964), the Court held that decisions under Illinois' unfair competition law could not stand if they forbid a competitor from copying a design that federal law determined could not be patented. *See Sears*, *supra*, 376 U.S. at 227 (the court of appeals "held Sears liable under Illinois law for doing no more than copying and marketing an unpatented article.") (footnote omitted). The Court found the Illinois law's prohibition against copying in direct conflict with the federal patent system, which permitted copying of unpatented designs. "To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public." *Id.* at 232-33.

But the Court did not hold in *Sears* or *Compco* that States were obligated to permit all methods of copying, and the Court's subsequent decisions make clear that a State may impose reasonable limitations upon the method a competitor uses to copy a design. In *Kewanee Oil Co. v. Bicron Corp.*, *supra*, for example, the Court upheld a district court order permanently enjoining, on state law grounds, a group of former employees from copying secret processes, procedures and manufacturing techniques they learned while working for their former employer "until such time as the trade secrets had been released to the public, had otherwise generally become available to the public, or had been obtained by respondents from sources having the legal right to convey the information." 416 U.S. at 473-74. Similarly, in *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), the Court sustained a royalty agreement on an invention that was later found unpatentable, even though the royalty agreement constrained the licensee's ability to freely copy the invention. Finally, in *Goldstein v. California*, 412 U.S. 546 (1973), the Court upheld a California record anti-piracy law that prohibited the copying and resale of non-copyrighted original recordings. The California law freely permitted the copying of the underlying music and lyrics, but barred the copying of the

particular record or tape itself. Consequently, the Court held, there was no conflict between the state law and the federal system for copyright protection.

Lower courts, too, have concluded that "direct molding" statutes do not impede the purposes of the federal patent laws. In *Interpart Corp. v. Italia*, 777 F.2d 678 (1985), the Court of Appeals for the Federal Circuit upheld the constitutionality of California's "plug molding" statute. The court found that the California law did "not preclude one from photographing, measuring, or in any way utilizing the concept of the design of the product." *Id.*, at 685. "It does not preclude copying the product by hand, by using sophisticated machinery, or by any method other than the direct molding process." [2] *Ibid. See also Brahma, Inc. v. Joe Yeargain, Inc.*, 665 F. Supp. 1447, 1450-52 (N.D. Cal. 1987) (sustaining California plug molding statute); *Metro Kane Imports, Ltd. v. Rowoco, Ltd.*, 618 F. Supp. 273 (S.D.N.Y. 1985).

The Florida statute's prohibition against splashing cannot be seen as contravening federal patent policies in any meaningful way. The statute does not "extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents." *Sears, supra*, 376 U.S. at 231. It continues to allow competitors to copy the full range of functional concepts and ideas embodied in an unpatented design, as they have "every right to do under the federal patent laws." *Ibid.* A competitor is free to copy the dimensions and performance characteristics of a boat, thus obtaining the benefit of the market research the builder performed to determine the most profitable boat to produce. The competitor may copy the general length,

[2] The Federal Circuit's interpretation of the patent laws deserves weight because of that court's special expertise in patent matters. *See* S. Rep. 97-275, 97th Cong., 1st Sess. 5 (1982), *reprinted in* 1982 U.S. Code Cong. & Ad. News 11, 15; H.R. Rep. 97-312, 97th Cong., 1st Sess. 23 (1982).

width and shape of the hull, giving him the benefit of the work of the builder's naval architects and marine engineers. The statute allows the competitor to copy the shape of a boat's interior shell, including all the functional structural, safety and convenience features it contains. The competitor automatically takes the benefit of the builder's testing of prototypes and any resulting modifications and improvements that were made. And the competitor is free under the statute to install engines of the size and configuration that the builder found to offer the best performance.

Likewise, the Florida statute permits a competitor to use any number of methods to effect his copying, excluding only splashing. It permits a competitor to duplicate the innovations found in boat hulls "by fair and honest means, such as independent invention, accidental disclosure, or by so-called reverse engineering, that is, by starting with the known product and working backward to divine the process which aided in its development or manufacture." *Kewanee, supra*, 416 U.S. at 476 (footnote omitted). The competitor can hire naval architects and marine engineers to design a boat that copies the original boat. Alternatively, he is free to measure the boat and prepare line drawings or working drawings that are an exact copy of the original lines. Similarly, the competitor can employ skilled craftsmen to construct a wooden plug that matches the original boat in every detail.[3]

[3] *See* Goldstein v. California, supra, 412 U.S. at 550-51 ("Although the protection afforded to each master recording is substantial, lasting for an unlimited time, the scope of the proscribed activities is narrow. No limitation is placed on the use of the music, lyrics, or arrangement employed in making the master recording. Petitioners are not precluded from hiring their own musicians and artists and recording an exact imitation of the performance embodied on the master recording. Petitioners are even free to hire the same artists who made the initial recording in order to duplicate the performance.").

In short, the Florida statute "does not 'clash' with the federal patent law; the two laws have different objectives." *Interpart Corp. v. Italia*, *supra*, 777 F.2d at 685. *See* 2 L. Altman, *Callman [On] The Law Of Unfair Competition Trademarks & Monopolies* § 15.10.50 at 137 (Supp. 1988) ("the patent laws prevent competition in the patented invention altogether; whereas the molding statutes do not prevent anyone from competing in the manufacture and sale of any product, provided they go to the trouble and expense of creating their own tooling.") The anti-splashing statute preserves the right to copy unpatented designs, while encouraging companies to make the substantial capital investment required to produce innovative products. "Certainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention." *Kewanee*, *supra*, 416 U.S. at 484.

THE FLORIDA STATUTE IS AN APPROPRIATE EXERCISE OF THE STATES' POWER TO REGULATE UNFAIR COMPETITIVE PRACTICES

The Florida anti-splashing statute also does not conflict with the federal patent system because federal patent law does not purport to regulate unfair competitive practices. As this Court recognized in *Kewanee*, this area is one in which "Congress 'has drawn no balance; rather, it has left the area unattended, and no reason exists why the State should not be free to act.'" 416 U.S. at 483, *quoting Goldstein v. California*, *supra*, 412 U.S. at 570. *See also Kewanee*, at 481 ("The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law." and 487 ("Nothing in the patent law requires that States refrain from action to prevent industrial espionage."); *Aronson v. Quick Point Pencil Co.*, *supra*, 440 U.S. at 262 ("State law is not displaced merely because the contract relates to intellectual property which may or many not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law."); *Sears*, *supra*, 376 U.S. at 233 (Harlan, J., concurring) ("Vindication of the paramount federal interest at stake does not require a State to tolerate such specifically oriented predatory business practices.")

The Florida anti-splashing statute is a proper exercise of Florida's authority to police competitive practices. *See Kewanee*, *supra*, 416 U.S. at 487. The statute's purpose is not the regulation of copying of designs, but rather the unfair practice of copying a competitor's costly, proprietary tooling. As this Court's precedents demonstrate, the right to copy conferred by the patent laws is the right to copy the ideas and concepts of a design. *See Sears*, *supra*, 376 U.S. at 226 (Sears has the right to produce "'a substantially exact copy' of Stiffel's" lamp); *Compco*, *supra*, 376 U.S. at 235 (Compco allowed to make a fixture whose appearance was "'the same, to the eye of the ordinary observer, as the overall appearance' of Day-Bright's reflector"). On the other hand, federal patent law does not confer a right on competitors to engage in unfair practices in the name of copying. *See Kewanee*, *supra*, 416 U.S. at 481, 484. Yet this is precisely what splashing amounts to; it enables a competitor to "obtain[] a unfair competitive advantage by avoiding otherwise necessary development costs." *Brahma, Inc. v. Joe Yeargain, Inc.*, *supra*, 665 F. Supp. 1453. *See* 2 L. Altman, *Callman [On] The Law Of Unfair Competition Trademark & Monopolies*, § 15.10.50 at 65 (1982 rev.) (direct molding statutes are "based on the same philosophy as the common-law doctrine of misappropriation: that it is unfair for the defendant to derive its product from the efforts of a competitor, thereby avoiding at least some of the costs of production").

Similarly, federal patent law does not validate an otherwise unfair practice simply because it may be an

efficient or cheap method of copying. In *Kewanee*, for example, the Court upheld an injunction against a company that used trade secrets learned from its competitor's former employees, which surely was the cheapest way of copying the technology. The Court in *Goldstein v. California*, likewise sustained California's record anti-piracy statute that prohibited duplication of non-copyrighted records and tapes, even though duplication was an efficient technique of copying the music and lyrics they contained. Finally, numerous decisions of lower courts have held that a competitor may not copy an unpatented machine, process or design by such expeditious means as hiring away former employees (*see, e.g., FMC Corp. v. Taiwan Tainan Giant Industrial Co., Ltd.*, 730 F.2d 61, 62-63 (2d Cir. 1984); *Rohm & Haas Co. v. Adco Chemical Co.*, 689 F.2d 424 (3rd Cir. 1982); *Henry Hope X-Ray Products, Inc. v. Marron Carrel, Inc.*, 674 F.2d 1336 (9th Cir. 1982)), taking or obtaining proprietary drawings (*see Williams v. Curtiss-Wright Corp.*, 681 F.2d 161 (3rd Cir. 1982)), or taking proprietary tooling (*see Anaconda Co. v. Metric Tool & Die Co.*, 485 F. Supp. 410, 418, 424 (E.D. Pa. 1980)). There has been no suggestion in these decisions that unfair competitive practices are somehow immunized because one of the competitor's purposes is to copy an unpatented design or because the unfair method of copying is the cheapest one.

CONCLUSION

For the reasons set forth above, *amicus curiae* Boston Whaler, Inc. respectfully submits that the judgment of the Florida Supreme Court should be reversed.

Respectfully submitted,

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